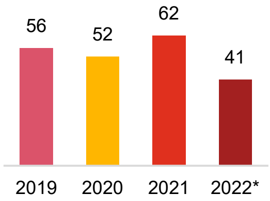
2022 PwC / Property Council Retirement Census

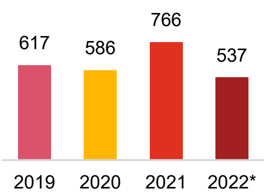
We thank everyone for participating in the 2022 Retirement Census. This is the first update since the previous census ending 30 June 2021 and is the first to provide a post COVID snapshot.

Contributor profile

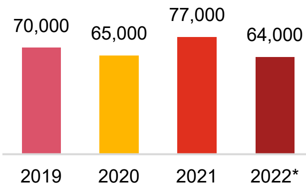
Number of participating operators



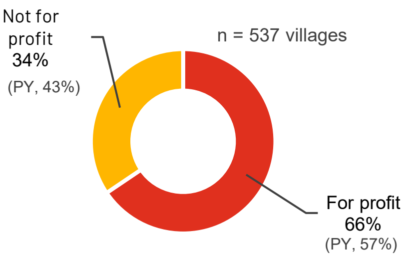
Number of participating villages



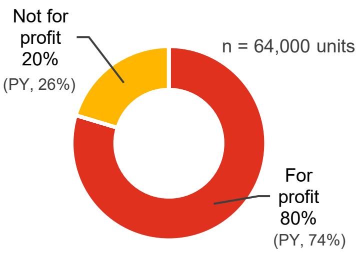
Number of participating units



Contributors by number of villages



Contributors by number of units



n = sample size, PY = Previous Year (2021 refers to FY21), 2022* = 18 months from 1 July 2021 to 31 December 2022

The Retirement Census is an annual data collection process conducted amongst Australian retirement village operators.

The 2022 Retirement Census covers the period July 2021 to December 2022, which includes FY22. Participation in the Retirement Census is entirely voluntary, meaning participating operators change year to year. Comparison with previous year figures should be considered with this in mind.

The Retirement Census continues to provide critical data for our industry that helps to create a more transparent market for retirement community operators and their most important customer – residents. This information is an invaluable resource for helping policy makers and investors better understand this sector, its key drivers and the challenges and opportunities on the horizon. To those operators around Australia that have again contributed their time and energy into this Census, thank you.

Daniel Gannon, Executive Director
Retirement Living, Property Council of Australia

As the uncertainty of COVID-19 has abated and been replaced by broader economic and regulatory headwinds, the retirement living sector has shown adaptability and resilience. We would like to express our heartfelt gratitude to the 41 operators for your valuable contribution to this year's Retirement Census. By sharing your experiences, you have empowered sector participants to make informed decisions, implement effective strategies in tacking challenges and advocating policies that will deliver better homes and services.

Alan Herrman, Partner
Real Estate Advisory, PwC

Snapshot of the data

~ 64,000
(PY ~ 77,000)
Number of participating retirement units in the 2022 Retirement Census

52%
(PY - 55%)
Average 2 Bed ILU as a percentage of median house price

81 years
(PY - 80 years)
Average age of current residents

253 days
(PY - 223 days)
Average days from vacant possession to settlement

89%
(PY - 90%)
Average occupancy of existing completed villages across Australia

75 years
(PY - 75 years)
Average age of residents entering villages

8~9 years
(PY - 8~9 years)
Average time ILU residents live in a village

30% over 5 years
(PY - 30% over 6 years)
Median maximum deferred payment and year reached

67%
(PY – 59%)
% of new villages to be developed which are vertical or combination

Key Highlights

Steady occupancy levels nationwide

National village occupancy remained steady at 89 per cent, down marginally by 0.2 percentage point.

Affordability of ILUs compared to residential

The average two bed Independent Living Unit (ILU) price grew by 6.6 per cent from $484,000 to $516,000 over the 18 months to December 2022, while national house prices over the same period rose by 26.2 per cent, with prices moderating from May 2022 when the RBA started rising interest rates. As such, ILUs were slightly more affordable, with the national average ILU median price at c.52 per cent of the median house price, compared to c.55 per cent in FY21.

Longer Average ILU Selling Days

The average number of days between the date of vacant possession to settlement increased by 30 days from 223 days to 253 days over the 18 months to December 2022.

Lower development supply planned for next 3 years

Based on the 2022 Retirement Census responses, the development supply pipeline planned for over the next three-years to calendar year (CY) 2025 fell by more than half to 5,100 dwellings compared to the 2021 Retirement Census of over 10,500 dwellings. Higher construction and debt costs, and an uncertain economic outlook may have weighed in on the development pipeline.

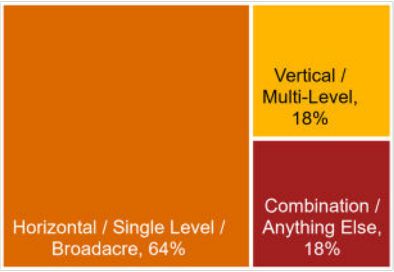
Access more retirement living research by the Property Council by visiting
www.propertycouncil.com.au/RetirementResources

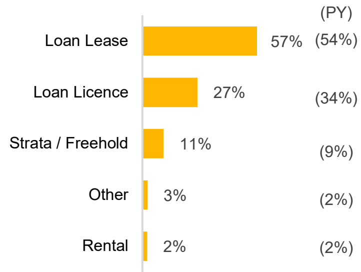
pwc
PROPERTY COUNCIL of Australia | Retirement Living

Village Snapshot

Village by Type and Tenure

n = 530 villages (type)   n = 532 villages (tenure)



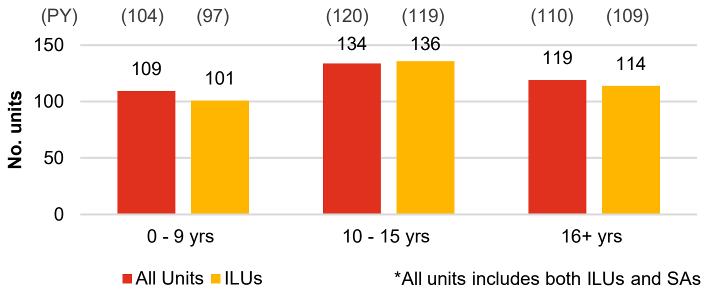


The proportion of villages that are Horizontal / Single Level / Broadacre dropped from 68 per cent to 64 per cent over the 18 months to end of 2022. This decrease highlights the increasing trend towards construction of Vertical and Combination* villages, with the majority of villages remaining under a 'loan lease' or 'loan licence' ownership structure.

*Combination villages comprises both Horizontal and Vertical units.

Average village size by age

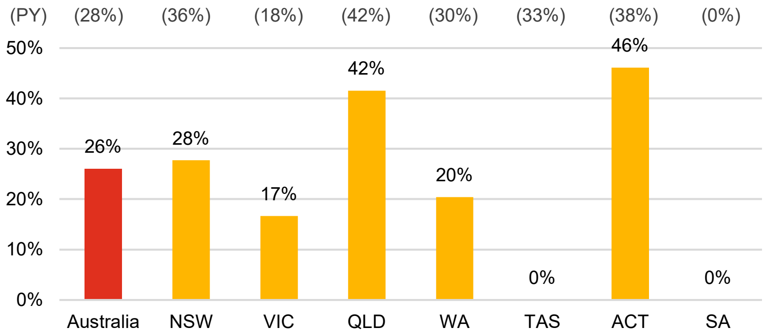
n = 532 villages



Average size of villages aged over 15 years has remained relatively steady within the range of between 105 and 120 units with ILUs accounting for the majority of total units compared to serviced apartments (SAs). Further, the average size of newer villages (0-9 years) appears to be trending 'smaller'.

Percentage of existing villages with aged care co-located

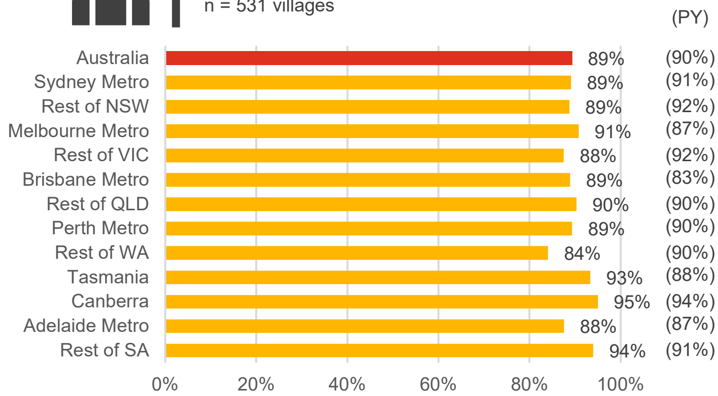
n = 434 villages



Nationally, 26 per cent of surveyed villages reported that they have co-located aged care facilities onsite.

Village occupancy by region

n = 531 villages



With COVID-19 restrictions progressively eased and subsequently lifted from February 2022, village occupancy nationally remained relatively steady at 89.3 per cent compared to 89.5 per cent in the 2021 Retirement Census.

Environmental, Social, Governance

15% of villages will seek new NABERS energy and water rating scheme

24% Have electric vehicles (incl. village bus)

29% Have electric vehicle charging points

39% Have used recycled materials / low emissions materials in construction over past 10 years

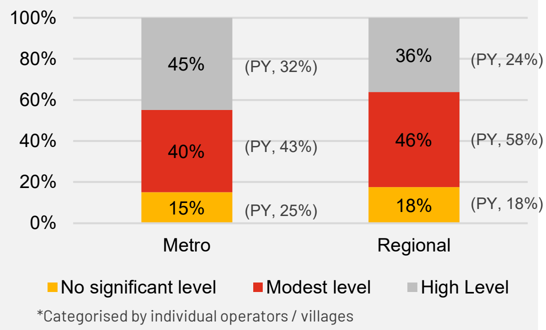
37% Provide diversity awareness training for staff

12% Have a Reconciliation Action Plan

10% Have a procurement policy to use businesses or services run by First Nations people

Amenity of the village*

n = 535 Villages

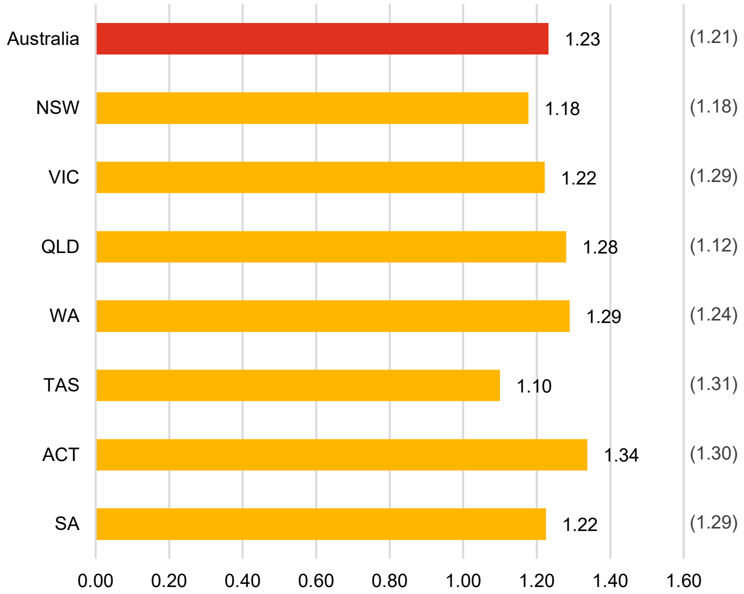


*Categorised by individual operators / villages

Resident Snapshot

Average no. residents per Unit

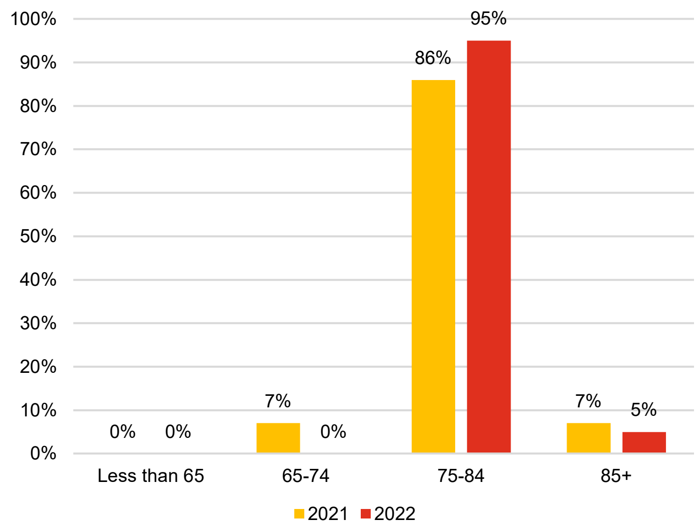
n = 516 villages



The national average number of residents per ILU was 1.23, with the ACT having the highest average number of residents per unit and Tasmania the lowest.

Average current resident age

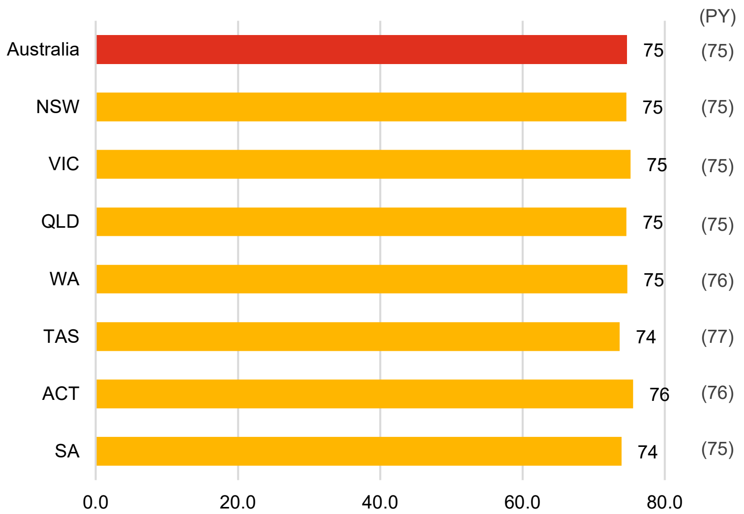
n = 40 operators (2022)



95 per cent of operators reported the average age of residents was between 75-84 years of age, with the national average age of current residents at 81 years.

Average resident age on entry into village

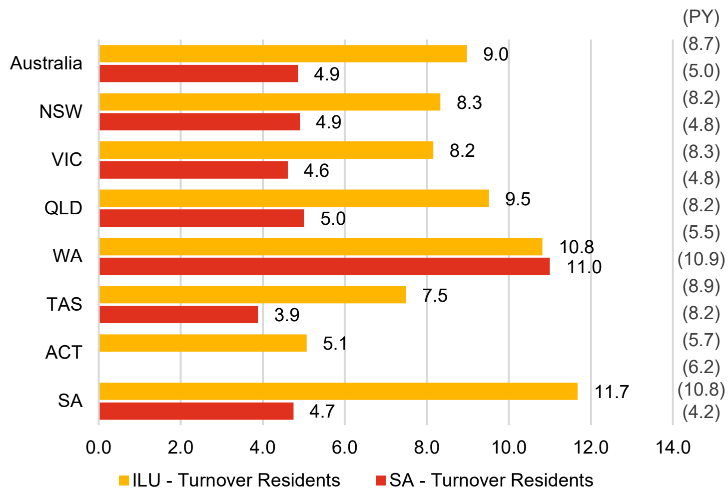
n = 516 villages



The average entry age of residents into a village across Australia was approximately 75 years old. This remained unchanged compared to the 2021 Retirement Census.

Average tenure of residents

n = 418 villages (ILU) n = 105 villages (SA)*

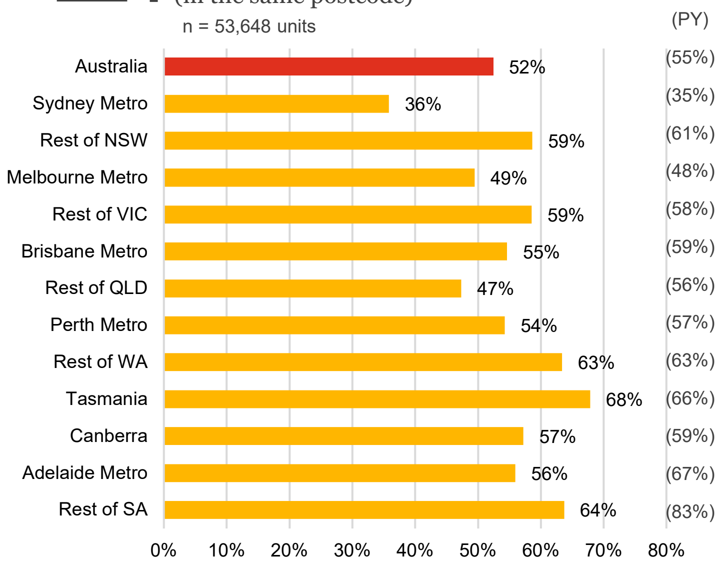


The average tenure of current ILU turnover residents nationally was 9.0 years, which was significantly higher than the average tenure of current SA turnover residents of 4.9 years.

* Limited Serviced Apartment average tenure data in WA (1 village) and TAS (2 villages). No Serviced Apartment data is available for the ACT.

Sales and Affordability Snapshot

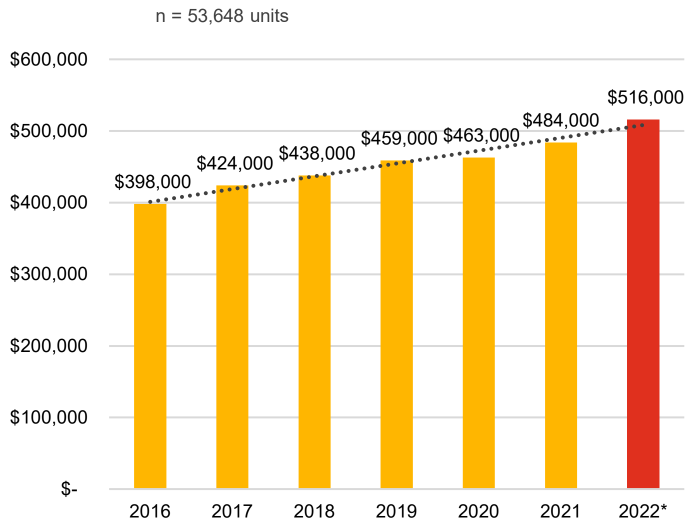
Average two bedroom ILU price compared to median house price[1]
(in the same postcode)



ILUs have become slightly more affordable, with the national average two-bedroom ILU sale price representing approximately 52 per cent of the median house price within the same postcode, compared to 55 per cent in FY21. This was partly driven by a strong national house price growth during Q3 2021 to Q1 2022, followed by prices moderating when interest rates started to rise rapidly from May 2022. Over the past 18 months to December 2022, the national house median price grew by approximately 26 per cent.

[1] Median price data by postcode provided by CoreLogic

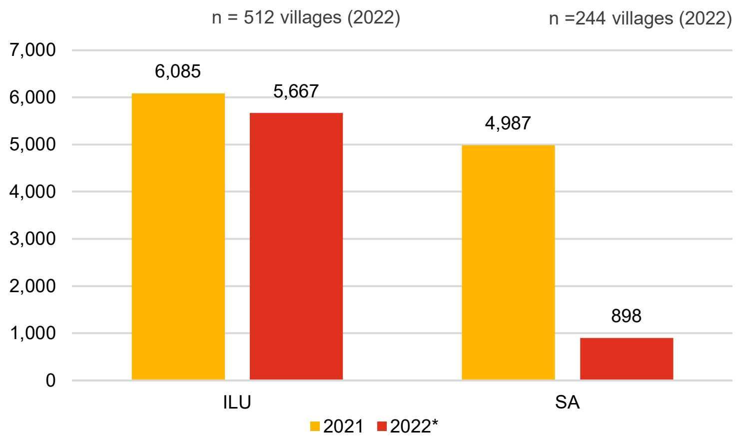
Two bedroom ILUs – National average price
(nearest thousand $)



Similar to the broader residential housing market, the national average price of a two bedroom ILU grew from $484,000 to $516,000 over the 18 months to December 2022. In addition, the compounded annual average growth rate of the average national price from 2016 was approximately 4.1 per cent. Despite the short-term volatility experienced in the residential property market, this gradual and consistent growth rate underpins the resilience and underlying market demand for the sector.

PY = Previous Year (2021 refers to FY21), 2022* = 18 months from 1 July 2021 to 31 December 2022

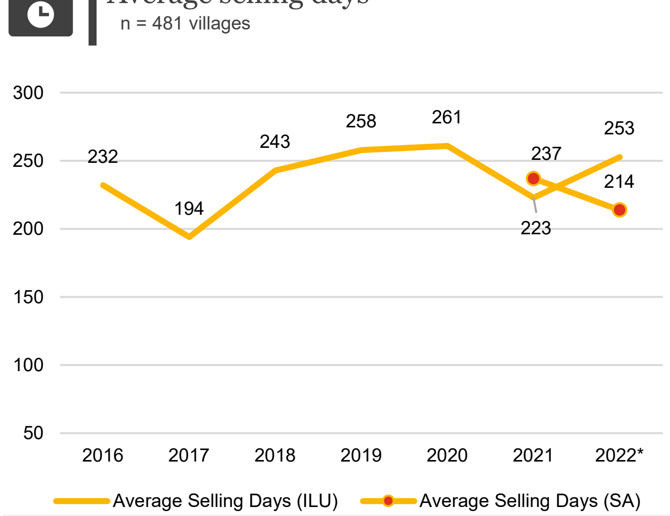
Number of sales*



*Number of sales for the past 18 months period have been prorated to a 12-months basis

The number of sales over a 12-month period have declined for both ILUs and SA compared to FY21. This may be underpinned by residents staying longer, and lower newly completed supply available on the market compared to FY21.

Average selling days

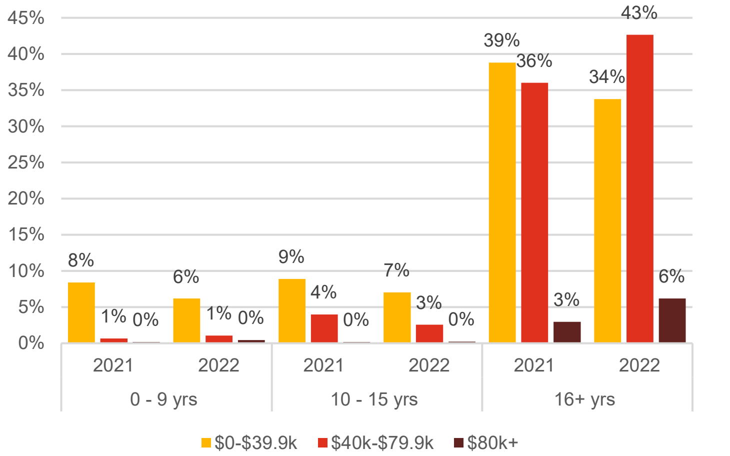


The average selling days between the date of vacant possession to settlement for ILUs grew from 223 days to 253 days over the past 18 months to December 2022. In contrast, the average selling days between the date of vacant possession to settlement for SAs dropped from 237 to 214 days over the same period.

Operating Environment Snapshot

Average cost of renovation/refurbishment of units on turnover ($) by village age group

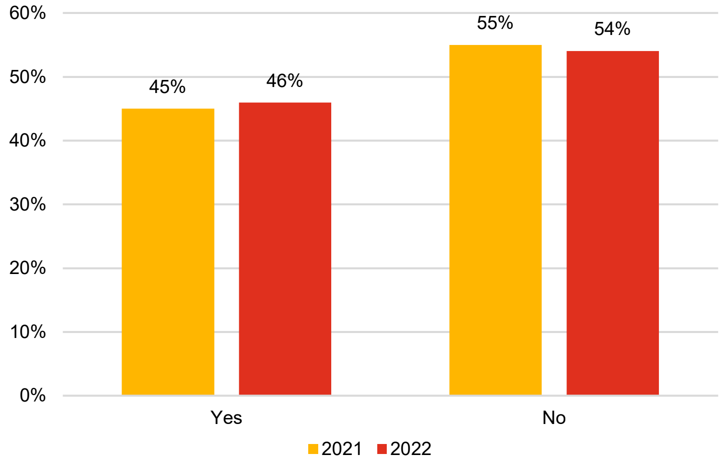
n = 471 villages (2022)



Unit renovation / refurbishment on turnover in older villages (aged over 15 years) incurred higher costs in 2022, where c.49 per cent of total units cost at least $40,000 to renovate / refurbish. This was up from c.39 per cent in 2021. Part of this increase could be attributed to higher construction costs.

Home care is provided

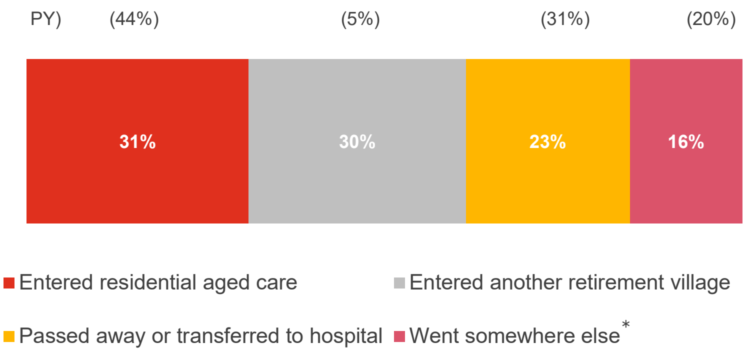
n = 433 villages (2022)



46 per cent of operators reported actively providing regulated home care services to residents in the village or seniors outside of the village, which was relatively unchanged from the previous year.

Most common reason for exiting a Village

n = 6,222 exits



*Not to residential aged care, passed away, hospital or **another** retirement village

Over the past 18 months to December 2022, 31 per cent of operators indicated that the most common reason that a resident exited a village within their portfolio was due to the resident entering residential aged care, followed closely by the resident going to another retirement village, which appeared to be a popular option post COVID restrictions.

Operator identified Priorities and Threats

Top 3 Priorities

n = 36 operators

1. Retirement Villages as an alternative to residential aged care, including being the resident's "last move".
2. Technology to assist Retirement Village operations.
3. Remove government age pension barriers to downsizing.

Top 3 Threats

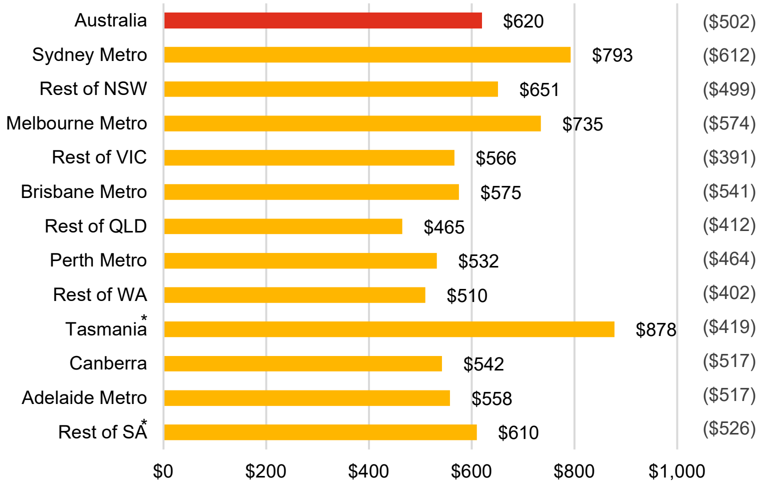
n = 37 Operators

1. Government increases the amount of regulation for Retirement Village sector.
2. State of the residential housing market.
3. Competition from other residential housing for downsizers.

Service Fees and Deferred Payments Snapshot

Weighted average monthly service fees by village by location – two bedroom ILU

n = 498 villages

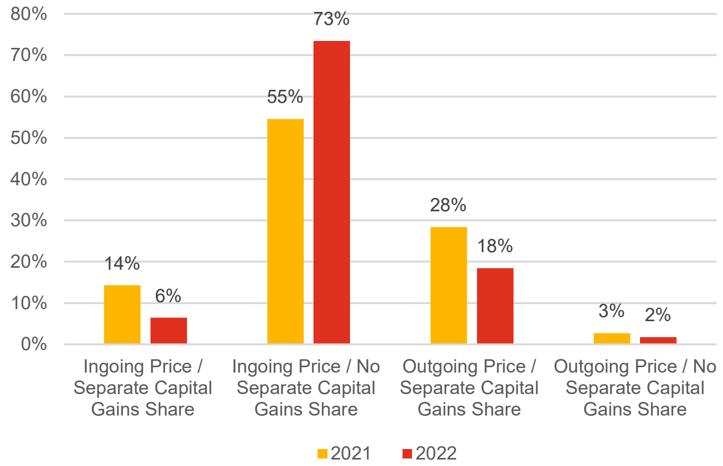


*Note that the sample size for TAS and Rest of SA was <5 and may not be statistically meaningful.

The national weighted average monthly service fee for two bedroom ILUs rose from $502 to $620 over the 18 months to December 2022. The average fee difference between Metro and Regional villages was approximately $84 , which was 20 per cent lower than in FY21.
It should be noted monthly service fees are typically charged on a cost recovery basis.

Deferred payment structure offered to new residents

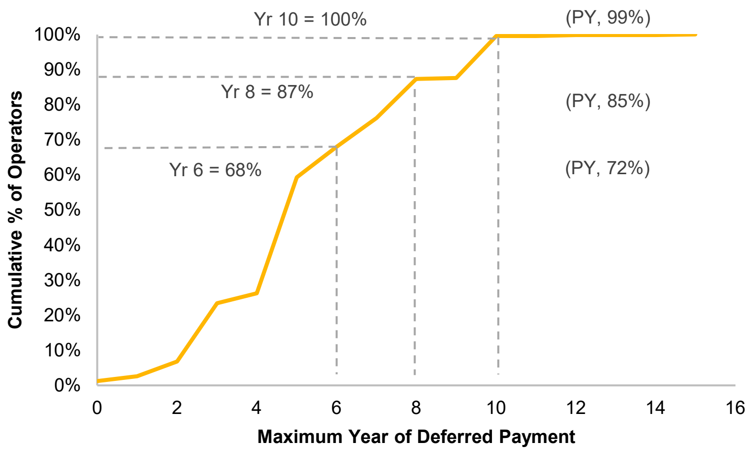
n = 516 villages



The proportion of deferred payment structures with and without separate capital gains share for the resident was 25 per cent and 75 per cent respectively. This reflects a continued shift to ingoing price structures where residents are not entitled to a share of the separate capital gains (increasing from 55 per cent in FY21 to 73 per cent). This shift was particularly notable for the larger villages (i.e. >100 units) in the metro regions.

Maximum year of deferred payment by operator

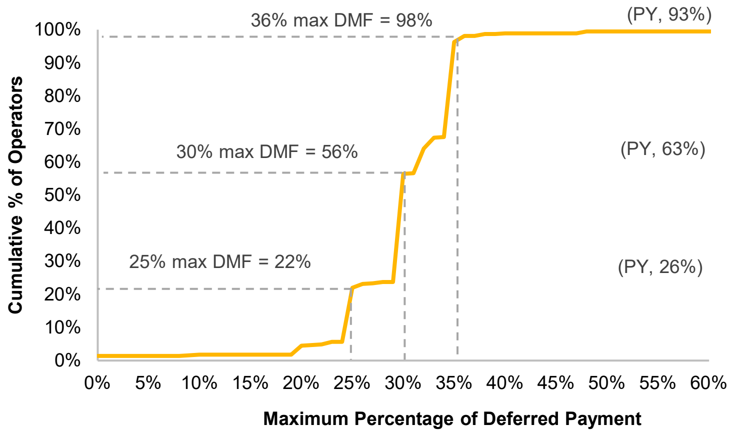
n = 502 villages



Based on typical contractual terms entered into over the past 18 months to December 2022, 68 per cent of operators indicated the maximum deferred payment percentage was within 6 years (compared to 72 per cent in FY21), while 87 per cent indicated that the maximum deferred payment percentage was within 8 years and the remaining operators within 10 years.

Maximum percentage of deferred payment by operator

n = 514 villages



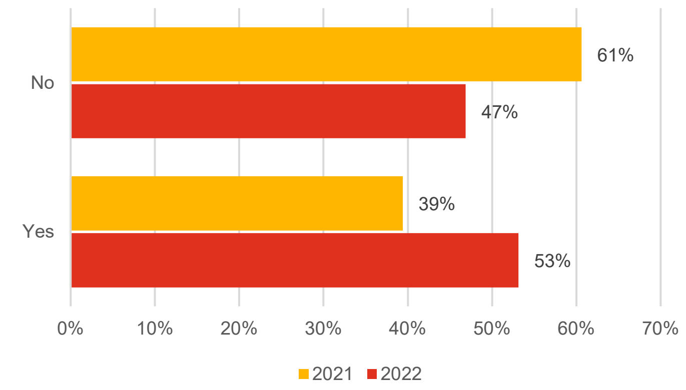
Deferred payment structures vary quite considerably between operators due to the broad range of village standards, service offerings and financial arrangements which are tailored to residents' need and circumstances.

The 2022 Retirement Census showed that the maximum deferred payment percentage for 98 per cent of villages was 36 per cent or lower. The median maximum deferred payment percentage was 30 per cent over 5 years.

Development Snapshot

New villages with aged care provided

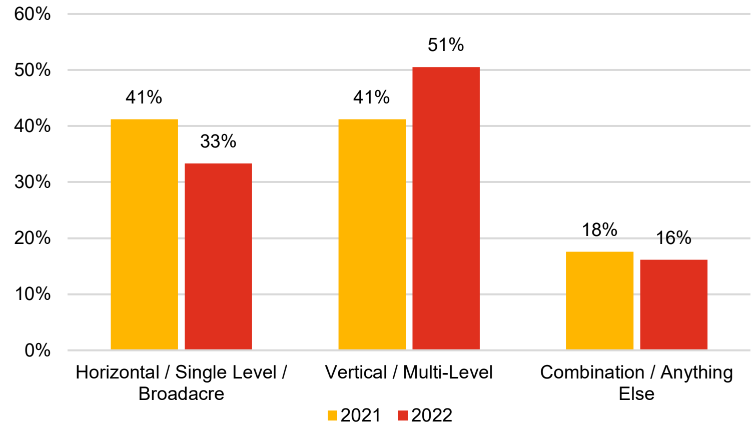
n = 32 villages (2022)



53 per cent of new villages under development have indicated that a residential aged care facility will be provided on-site or co-located. This was significantly higher than the existing villages nationally, with just 26 per cent providing aged care.

New development villages by type

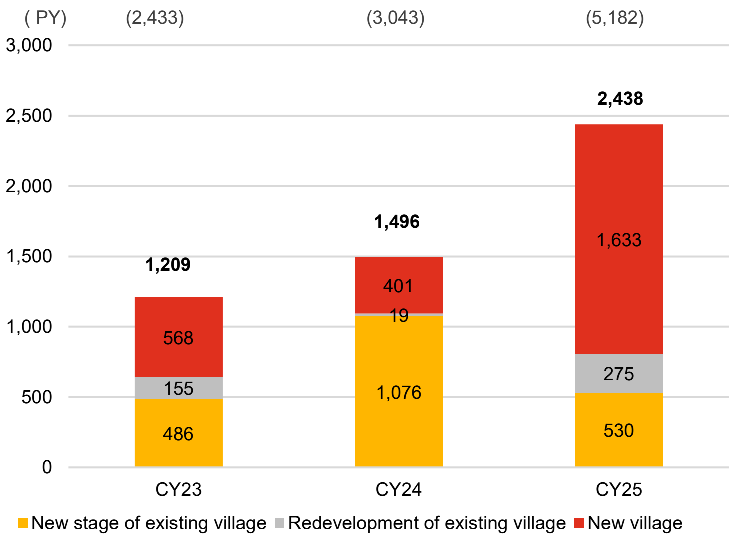
n = 99 villages (2022)



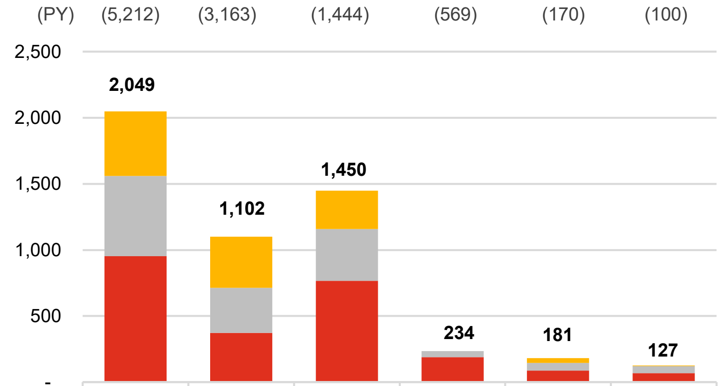
51 per cent of new developments were classified as vertical villages compared to 41 per cent in the FY21 Retirement Census. The trend towards vertical and combination villages is increasingly becoming more common with 67 per cent of new development villages classified as vertical or combination* villages compared with just 36 per cent of existing villages nationally.

*Combination villages consist of both Horizontal and Vertical units.

Supply pipeline by Development Type (number of units)



Supply pipeline by State* (number of units)



	NSW	VIC	QLD	ACT	SA	WA
CY23	489	389	290	-	35	6
CY24	606	341	393	45	58	53
CY25	954	372	767	189	88	68

*Sample set too small to include TAS

Based on the participants' responses, the planned development pipeline over the next three years to CY25 was forecast to total approximately 5,100 units comprising a mix of new villages, new stages of existing villages and redevelopment on existing villages. This was down from 10,500 units in FY21. NSW, VIC and QLD are expected to account for the bulk of new supply, particularly within the metropolitan areas of Sydney, Melbourne and Brisbane. This decreased development pipeline, notably in NSW, VIC and ACT, may have been impacted by higher construction and debt costs, and an uncertain economic outlook for operators.
It should be noted that this metric is highly dependent on the participant mix and their responses and may contain some degree of uncertainty.

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PwC and the Property Council of Australia sincerely thank all data contributors for their participation, and CoreLogic for providing median price data.

Notes:

When comparing previous Retirement Census statistics to this year's Census, it is important to note that the number and diversity of participants changes from year to year.

The term "Deferred Payment" is the more accurate expression for what is sometimes called a "Deferred Management Fee".

The Retirement Census covers retirement villages governed by state Retirement Villages Acts, rather than other forms of seniors' living accommodation.

The PwC/Property Council Retirement Census is the most comprehensive aggregated data source on retirement villages in Australia, covering the physical characteristics of villages, ownership details, business attributes and demographic data. The Retirement Census is based on data which was collected from Property Council retirement living operator members and other contributors and analysed by PwC.